



# SUSSEX COUNTY NEIGHBORHOOD STABILIZATION PROGRAM HOMEBUYER ASSISTANCE PROGRAM



## Program Guidelines

### Program Authority

Sussex County, Delaware has been awarded \$2,000,000 in Neighborhood Stabilization Program (NSP) funds as a sub-grantee of the Delaware State Housing Authority (DSHA). This program was authorized under the Housing and Economic Recovery Act of 2008 (HERA). Eligible activities for NSP include purchase and rehabilitation of foreclosed homes, and finance mechanisms to assist with the purchase foreclosed-upon homes by low and moderate income homebuyers.

Sussex County is partnering with local non-profit housing developers to execute the Neighborhood Stabilization Program. Those organizations are Sussex County Habitat for Humanity, Milford Housing Development Corporation, the Diamond State Community Land Trust, Sussex County Association of REALTORS, NCALL Research, and First State Community Action Agency.

### Program Objective

The objective of NSP is to stabilize neighborhoods and communities that have been, or are likely to be, affected by significant foreclosures. By providing affordable homeownership opportunities and rehabilitating distressed and abandoned foreclosed properties, surrounding property values will improve. Funds must assist households at or below 120 percent of the Area Median Income (AMI) for Sussex County. Also, twenty-five percent (25%) of total funding must target households whose incomes are at or below fifty percent (50%) of AMI. The Area Median Income for Sussex County is listed below:

Area Median Income Limits Adjusted for Household Size – 2009						
Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
Below 50% AMI	\$20,500	\$23,450	\$26,350	\$29,300	\$31,650	\$34,000
51-80% AMI	\$32,850	\$37,500	\$42,200	\$46,900	\$50,650	\$54,400
81-100% AMI	\$41,000	\$46,900	\$52,700	\$58,600	\$63,300	\$68,000
101-120% AMI	\$49,200	\$56,280	\$63,240	\$70,320	\$75,960	\$81,600

### Program Term

The NSP Homebuyer Assistance Program expires at the earlier event of expenditure of all NSP funds or eighteen months from the date of Contract execution between DSHA and the U.S. Department of Housing and Urban Development. The contract execution took place March 20, 2009.

**Assistance Available**

The Homebuyer Assistance Program provides financial assistance up to \$50,000 to qualifying buyers of foreclosed properties when that property will be the primary residence of the buyer and when the property is located in a targeted area. The assistance may be used for closing costs, down-payment assistance, and home rehabilitation in the form of a soft second mortgage loan. The soft-second loan is due and payable only upon the sale or transfer of the property. Subsidy amounts are broken down by household Area Median Income below:

<b>Eligible Household Incomes &amp; Corresponding Mortgage Assistance</b>							
<i>Mortgage Assistance</i>	<i>Area Median Income</i>	<i>1 Person</i>	<i>2 Person</i>	<i>3 Person</i>	<i>4 Person</i>	<i>5 Person</i>	<i>6 Person</i>
<b>\$50,000</b>	50% of AMI	\$20,500	\$23,450	\$26,350	\$29,300	\$31,650	\$34,000
<b>\$40,000</b>	80% of AMI	\$32,850	\$37,500	\$42,200	\$46,900	\$50,650	\$54,400
<b>\$30,000</b>	120% of AMI	\$49,200	\$56,280	\$63,240	\$70,320	\$75,960	\$81,600

The allocated \$2 million less five percent (5%) for administrative costs is available for the Homebuyer Assistance Program.

**Affordability Period**

Loans made by the NSP Homebuyer Assistance Program are secured as a 0% interest-bearing soft-second mortgage. The loan is only repayable if any of the following conditions occur:

- (a) The conveyance of title to the Property, more particularly described in the Mortgage securing this obligation to a third party purchaser who is not deemed to be a qualified homebuyer.
- (b) The date when the Mortgage is refinanced, unless pre-approved by the County;
- (c) The date when the Property is no longer the Borrower's primary residence; or
- (d) The date when the Borrower leases the Property without prior written approval of the County.

In the event that the homeowner conveys the property to another income-qualified homebuyer, the soft-second mortgage may be transferred to the new homebuyer. This results in no financial obligations to the initial homeowner and an affordable housing opportunity for the new buyer.

**Targeted Areas**

The five (5) eligible Sussex County Zip Codes for NSP are:

19973 – Seaford
19956 – Laurel
19963 – Milford*
19950 – Greenwood*
19947 - Georgetown

*\*Zip Code includes areas not located in Sussex County*

Eligible properties must be located within Sussex County boundaries. Property locations can be verified at: <http://map.sussexcountyde.gov/> or at the Office of Community Development & Housing

### **Eligible Properties**

To be an eligible NSP property, the property must be a lender-owned foreclosed single-family home, duplex, townhome or condo (located in buildings with less than 8 units). A property has been foreclosed upon at the point that, under state or local law, the mortgage foreclosure process is complete. The foreclosure is not considered complete until the title of the property has been transferred from the former owner under a foreclosure proceeding, to the lender.

### **Eligible Purchase Price**

The sales price for an NSP property should be based on a housing debt to income ratio of 30% (including property taxes and HOA dues).

The NSP guidelines require that the eligible foreclosed property be purchased at a discount from the appraised market value. The discount must be at least one percent (1%) of the appraised market value of the property.

### **Program Appraisals**

Sussex County sent a Request for Qualifications (RFQ) letter to all Sussex County-based appraisers that were also FHA Appraiser Roster members and Delaware Licensed. Under the Housing and Economic Recovery Act of 2008, the law regarding the standards for FHA Appraisers was amended to require FHA Appraisers to also be state certified. The County felt that, at a minimum, this should also be the standard for which the Neighborhood Stabilization Program should adhere to. All appraisers that returned the RFQ form were verified by the State's Division of Professional Regulation. By signing off on the RFQ form, the appraisers agreed to follow FHA appraisal standards, as well the Neighborhood Stabilization guidelines. The County then created a list of Approved NSP Appraisers. All program partners will receive this list and will be required to choose an approved appraiser from it.

### **Home Rehabilitation**

Rehabilitation costs, in combination with closing costs, may not exceed the subsidy amount for the household's income level (i.e., \$30,000, \$40,000, or \$50,000). A trained member of the Department staff will work with an approved inspector to determine the necessary and *reasonable* (no luxury upgrades or additions) specifications for rehabilitation of the property. Repairs are to be completed by a County-approved licensed general contractor and must be

completed in accordance with the buyer's primary mortgage lender. Funds will be released to the contractor upon satisfactory completion as verified by a certified-Delaware inspector.

### **Down-payment Assistance and Closing Costs**

The entire amount of the subsidy must be accounted for at the time of settlement; there will be *no cash back* to the homebuyer. Any property that does not require substantial rehabilitation work, must apply the remaining amount of subsidy towards closing costs and down-payment. By assisting with buyer down-payment, monthly payments will be significantly reduced and more affordable.

### **Inspections and Lead-Safety**

It is required that the property to be purchased be inspected for compliance with HUD designated Housing Quality Standards (HQS). Eligible properties will be subject to the HUD lead-base paint regulation 24 CFR Part 35 to all units built prior to 1978. The property must also undergo an environmental and historic review prior to occupancy.

### **Applicant Eligibility**

To apply for the NSP Homebuyer Assistance Program, applicants must certify that they will occupy the property as their primary residence. Applicant's household income must be at or below 120% of the Area Median Income to qualify. HUD guidelines require that verification of dependents be included in determining eligibility. The County will use tax returns, birth certificate, and any other applicable financial documents for verification. The income and debts of a spouse, non-purchasing spouse, or other household member(s) who would ordinarily sign a lender's application and chooses not to do so must be considered to determine eligibility. All household members (over 18 years of age) must be considered when calculating income. A co-signer's income must be included when determining eligibility if the co-signer is a household member.

Applicants must be a citizen of the United States or a legal resident alien. Participation in the program by Sussex County Council employees requires disclosure by the applicant and written acknowledgment of the disclosure by the Community Development & Housing Department.

### **Eligible Primary Loan Terms**

The applicant's primary loan must be fixed interest with a thirty (30) year term. All taxes and insurance are to be escrowed through the lender.

### **Homeownership Counseling**

All applicants are required to participate in at least eight (8) hours of homeownership counseling from a HUD-approved counseling agency. Funding will not be available until the official certificate of completion from the counseling agency is on file with the Department of Community Development & Housing. Sussex County agencies are listed below:

NCALL Research, Inc.

110 South Bedford Street, Georgetown, DE 19947

302-855-1370

(\*Service is available in Spanish)

First State Community Action Agency  
308 North Railroad Avenue, Georgetown, DE 19947 302-856-7761  
(\*Service is available in Spanish)

There will be an initial counseling fee of \$100 charged by the counseling agency. If the applicant goes to settlement for an NSP-eligible home they will be reimbursed the full \$100.

#### **Eligible Lenders and Lender Requirements**

The County will establish a list of participating lenders, whose mortgage products can easily combine with the County's Homebuyer Assistance Program. All participating lenders must certify compliance with the bank regulators' guidance for non-traditional lenders referenced in the "Statement on Subprime Mortgage Lending" (<http://www.fdic.gov/regulations/laws/rules/5000-5160.html>).

All Lenders must establish and maintain tax and insurance impound accounts. **No loan will be subsidized without tax and insurance escrows.**

#### **Seller Requirements**

The seller of each property must agree to the Addendum to Purchase Real Estate that includes NSP regulations, which will accompany the standard Purchase Agreement. The property must pass the quality inspection and environmental review and be sold at a price at least one percent (1%) less than the appraised market value in order for the buyer to receive financial assistance.

*\*The Sussex County Homebuyer Assistance Program Guidelines is a working document and the Department of Community Development & Housing reserves the right to amend it as necessary.*